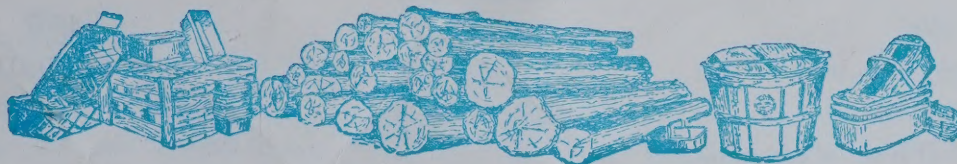


OAKVILLE WOOD SPECIALTIES LIMITED

OAKVILLE, ONTARIO



TO THE SHAREHOLDERS:

The consolidated financial statement of our Company and its subsidiaries is herewith enclosed.

On April 26, 1970, our Company suffered the loss of our President, Mr. S. J. Zacks. His death was widely mourned because of his great interest in a number of community affairs, but especially in the area of the arts.

Our Company will miss his valued counsel shown over the past seventeen years.

The operation of the year shows a decline of sales which was mainly due to poor weather conditions in Essex County, which resulted in a near total loss of the tomato crop.

Considering the higher cost of labour and raw materials general in most manufacturing industries our Company has been successful in keeping expenses in line with the reduced gross revenue.

The \$268,500 mortgage bonds due June 1, 1969, have been reduced to a relatively small amount of \$11,000 as shown in the statement.

Outlook for the coming season depends on weather conditions for the various crops, on which the sales of our Company so much depend. Labour negotiations will be of major importance, as competition is very keen in certain lines of our manufacture.

The Directors wish to express their appreciation to the Staff for their loyalty, hard work and co-operation in the past year.

Respectfully submitted,

OAKVILLE WOOD SPECIALTIES LIMITED

C. NADHERNY, Executive Vice-President.

DIRECTORS

S. J. ZACKS, *President, Toronto, Ontario (Deceased)*

C. NADHERNY, *Vice-President and General Manager, R.R. #3, Beamsville, Ontario*

FRANK U. STEVENSON, *Manager, Oakville, Ontario*

H. BENSON, *Montreal, P.Q.*

MRS. S. J. ZACKS, *Toronto, Ontario*

G. BANKS, *Toronto, Ontario*

W. MURPHY, *Burlington, Ontario*

BANKERS: Toronto-Dominion Bank

REGISTRAR & TRANSFER AGENTS: Guaranty Trust Company of Canada

AUDITORS: Gray, Butcher, Frost and Company

OAKVILLE WOOD SHED

and its wholly-owned subsidiary

CONSOLIDATED BALANCE SHEET

(with comparative figures for 1968)

ASSETS		1969	1968
CURRENT			
Cash on hand and in bank		\$ 69,414	\$ 91,938
Accounts receivable		275,541	351,449
Inventories — at lower of cost or market			
Finished goods	\$ 294,784		
Work in process	72,644		
Raw materials	165,181	532,609	502,554
Prepaid expenses		33,609	23,618
Total current assets		\$ 911,173	\$ 969,559
7% mortgage receivable, repayable in annual instalments of \$2,500 due May 1, 1975		14,250	18,000
FIXED — at cost (Note 3)			
Land	\$ 25,205		
Buildings	516,360		
Machinery and equipment	795,503		
Automotive equipment	136,212		
	\$1,473,280		
Less accumulated depreciation	726,409	746,871	763,709
Excess of cost of acquisition of subsidiary over book value at date of acquisition		41,522	41,522
		<u>\$1,713,816</u>	<u>\$1,792,790</u>

Approved on behalf of the Board:

C. NADHERNY, Director

W. MURPHY, Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1969

- \$17,196 is to be paid by variable annual instalments until January 15, 1979 by the company as past service payments toward an employee pension plan.
- Preference dividends are \$57,525 in arrears. 105 preference shares were redeemed in the year.
- Fixed assets are valued at cost except for an appraisal increment of \$259,154 determined at October 5, 1951 by Fidelity Appraisal Limited. This increment has been transferred in full to accumulated depreciation so that it has no effect on shareholders' equity.
 - At December 31, 1969, the net book value of depreciable fixed assets exceeded undepreciated capital cost by approximately \$345,000 primarily due to the revaluation of assets purchased from the predecessor corporation in 1949. Taxable income in the future may be higher than recorded income since this amount will not be depreciable for income tax purposes.
 - It is management's opinion that buildings and equipment are not subject to depreciation due to obsolescence or wear and tear. Accordingly, depreciation has only been provided on automotive equipment.
- Surplus includes capital gains. In the years 1966 to 1969 inclusive, these capital gains amounted to \$288,069.
- Because of the loss carry forward provisions of The Income Tax Act, no income taxes have been provided on 1968 and 1969 income.

SPECIALTIES LIMITED

Forest Basket Company Limited

AS AT DECEMBER 31, 1969

(at December 31, 1968)

LIABILITIES

CURRENT	1969	1968
Bank loan — secured	\$ 275,000	\$ 251,000
Outstanding cheques payable	50,808	70,191
Accounts payable and accrued charges	297,429	242,204
Accrued bond interest	985	5,308
5½% mortgage bonds due June 1, 1969	11,000	268,500
Demand notes payable	97,592	40,000
Total current liabilities	\$ 732,814	\$ 877,203
DEFERRED		
Due to director — 7% due January 1, 1971 (partially secured by a second mortgage)	219,983	205,591
Total liabilities	\$ 952,797	\$1,082,794

SHAREHOLDERS' EQUITY

CAPITAL STOCK			
Authorized			
4,034 6% cumulative redeemable sinking fund preference shares, par value \$100 each, redeemable at \$105			
100,000 common shares, no par value			
Issued and fully paid			
1,534 preference shares (Note 2)	\$ 153,400		
100,000 common shares	369,661		
	\$ 523,061		
Surplus (Note 4)	237,958	761,019	709,996
		<u>\$1,713,816</u>	<u>\$1,792,790</u>

The attached notes form an integral part of the financial statements.

AUDITORS' REPORT

To the shareholders of
Oakville Wood Specialties Limited

We have examined the consolidated balance sheet of Oakville Wood Specialties Limited and its subsidiary as at December 31, 1969 and the consolidated statements of income and surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles, except as described in Note 3, applied on a basis consistent with that of the preceding year.

TORONTO, CANADA
April 30, 1970

GRAY, BUTCHER, FROST AND COMPANY
Chartered Accountants

OAKVILLE WOOD SPECIALTIES LIMITED

and subsidiary

CONSOLIDATED STATEMENT OF INCOME AND SURPLUS FOR THE YEARS ENDED DECEMBER 31

	1969	1968
Gross revenue	\$2,661,751	\$2,992,464
Operating expenses	2,619,717	2,914,567
Net income before the following	\$ 42,034	\$ 77,897
Depreciation (Note 3)	14,913	20,719
Interest on long-term debt	23,092	27,982
Net operating income for the year	\$ 4,029	\$ 29,196
Gain on redemption of bonds and preference shares	\$ 6,100	\$ 3,003
Gain on disposal of fixed assets	51,394	35,715
	\$ 57,494	\$ 38,718
	\$ 61,523	\$ 67,914
Surplus — January 1	176,435	110,730
Prior year adjustment	—	(2,209)
	\$ 237,958	\$ 176,435

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEARS ENDED DECEMBER 31

	1969	1968
Source of funds		
Net operating income for the year	\$ 4,029	\$ 29,196
Depreciation expense not requiring an outlay of funds	14,913	20,719
Proceeds from disposal of fixed assets	74,948	57,656
Increase in deferred loans payable	14,392	15,962
Mortgage receivable repayments	3,750	—
	\$ 112,032	\$ 123,533
Application of funds		
Purchase of fixed assets	\$ 21,629	\$ 198,207
Mortgage taken back on sale of fixed assets	—	18,000
Redemption of preference shares	4,400	1,857
Prior years' adjustments	—	2,209
Reduction in long-term portion of mortgage bonds (less discount on redemption of bonds)	—	105,327
	\$ 26,029	\$ 325,600
Increase in working capital	\$ 86,003	
Decrease in working capital		\$ 202,067